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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 23, 1999

APPLICATION OF

C. RAY BEARD, d/b/a

RED HILL UTILITY COMPANY

CASE NO. PUE980916

For certificates of public
convenience and necessity to
provide water and sewer service

FINAL ORDER

On December 21, 1998, C. Ray Beard, d/b/a Red Hill Utility Company ("Red Hill" or "the Company") filed its application for certificates of public convenience and necessity. In its application, the Company requests authority to provide water and sewer service to residents of the Red Hill Mobile Home Park located in Prince George County, Virginia.

The Company also requests approval of the following tariff:

WATER RATES

Metered Rates:

<u>Per Month</u>	<u>Rate per 1,000 Gallons</u>
For the first 1,000 gallons	\$11.00
All over 1,000 gallons	\$ 3.00

There shall be a monthly minimum service charge of \$4.00 per month for water service. The minimum monthly service charge shall become effective when the water service is connected to the lot.

SEWERAGE RATES

<u>Per Month</u>	<u>Rate per 1,000 Gallons</u>
For the first 1,000 gallons	\$15.00
All over 1,000 gallons	\$ 3.00
Bills shall be rendered monthly.	

Red Hill charges a customer deposit, the maximum amount of which shall not exceed the customer's estimated liability for two months' usage. The Company also charges a meter test fee of \$20.00 if a meter test has been conducted within the past twenty-four (24) months, unless the meter is found to have an average error greater than two (2) percent, in which case the test will be at no charge to the customer. Red Hill's tariff also contains a turn-on charge of \$10.00 when it becomes necessary to discontinue service because of a violation of the rules and regulations of service. In addition, Red Hill has a bad check charge of \$25.00 and a late payment fee of 1 1/2% per month on any customer charges not timely paid.

In an order entered on February 10, 1999, the Commission directed the Company to give notice of its application and to provide the public with an opportunity to comment and request a hearing. The Commission also directed its Staff to file a report detailing its findings and recommendations on or before May 13, 1999.

On March 16, 1999, the Commission's Staff received a letter from approximately 13 of the Company's customers. The customers requested a hearing to determine the reasonableness of the Company's proposed rates.

On May 3, 1999, the Commission's Staff filed a "Motion for Extension of Time," requesting that the Commission extend the date for the filing of the Staff report by approximately 60 days, until July 13, 1999. That motion was granted on May 4, 1999.

Pursuant to the customers' requests and the Commission's order, Staff filed its report on July 13, 1999. In its report, Staff recommended that the Company be granted certificates of public convenience and necessity to provide water and sewer service. The Company's proposed rates are meter-based rates, but Red Hill does not currently have meters installed for the majority of its service connections. Staff, therefore, determined the average usage per customer, and based upon that usage, calculated an equivalent average flat rate for both water and sewer service. Accordingly, Staff recommended that a flat water rate of \$10.00 per month and a flat sewer rate of \$23.72 per month be approved. To bring the system into compliance with the Safe Drinking Water Act ("SDWA") and the Waterworks Regulations of the Virginia Department of Health ("VDH"), Staff recommended that the Commission require that the Company either begin using County water or develop a corrosion treatment control plan within 180 days of the date of this Order. Staff also recommended that Rule No. 8(A) of the Company's tariff should be modified, and the bad check charge should be reduced to \$6.00, consistent with the Commission's final order in Case No. 19589.

Staff further recommended that the Company make several accounting changes. Specifically, Staff recommended that the Company establish and maintain a separate accounting system and books for both water and sewer systems; adopt the Uniform System of Accounts for Class C Water and Sewer Companies; prospectively depreciate at 3% all additions to plant in service unless a depreciation study indicates a shorter useful life; reclassify to plant accounts amounts expensed during the 1998 test year; maintain detailed time records tracking Henry Kidd's time working on both water and sewer systems; maintain a record of all future deposits received and returned to customers including interest for both water and sewer service; separate and maintain all invoices and keep detailed cash disbursements records to support expenses and capital improvement expenditures for each utility; establish written contracts with all outside professional parties and hired labor; file Annual Financial and Operating Reports with the Commission's Division of Public Utility Accounting; and include with the Annual Operating Report a cash flow statement and a summary of capital improvements made during the report year and improvements planned for the year following the report year.

In a letter dated August 27, 1999, the customers of Red Hill Mobile Estates, who had previously requested a hearing, agreed with Staff's proposed recommendations and withdrew their requests for a hearing.

In a letter dated September 8, 1999, the Company agreed to accept Staff's recommendations as stated in the above-referenced report.

Also, on September 8, 1999, the Commission received a letter signed by 14 of Red Hill's customers urging the Commission to shorten the amount of time the Company has to comply with the SDWA and the Waterworks Regulations of the VDH. The customers complained that there have been problems with lead and copper in the Company's water for over a year and that many of them now buy bottled water.

NOW THE COMMISSION, having considered the Company's application, Staff's report and the comments thereto, and § 56-265.3 of the Code of Virginia, finds that it is in the public interest to grant Red Hill certificates of public convenience and necessity to provide water and sewer service. The Commission will approve the Company's rates, as modified by the Staff, and the charges and rules and regulations of service. We will also adopt Staff's accounting and booking recommendations.

In addition, we find that Red Hill must either begin using County water or develop a corrosion treatment control plan by January 1, 2000. We believe this is ample time for the Company to bring its system into compliance with the applicable health and safety regulations. Accordingly,

IT IS ORDERED THAT:

(1) C. Ray Beard, d/b/a Red Hill Utility Company is hereby granted Certificate No. W-294 to provide water service to the

Red Hill Mobile Estate mobile home community in Prince George, Virginia.

(2) C. Ray Beard, d/b/a Red Hill Utility Company is hereby granted Certificate No. S-84 to provide sewer service to the Red Hill Mobile Estate mobile home community in Prince George, Virginia.

(3) Red Hill's rates, as modified by Staff, are hereby approved. Specifically, the Commission authorizes the Company to charge \$10.00 and \$23.72 per month for water and sewer services, respectively.

(4) Red Hill's proposed charges, rules and regulations of service are hereby approved.

(5) On or before October 15, 1999, Red Hill shall file with the Commission's Division of Energy Regulation a revised tariff incorporating the changes in its rules and regulations of service as adopted herein.

(6) The Company shall implement Staff's accounting and booking recommendations as detailed herein.

(7) On or before January 1, 2000, Red Hill shall either begin using County water or develop a corrosion treatment control plan to ensure compliance with the SDWA and the Waterworks Regulations of the VDH.

(8) On or before January 15, 2000, Red Hill shall file with the Commission's Division of Energy Regulation a report detailing its corrosion treatment control plan.

(9) This case hereby is dismissed from the Commission's docket of active cases.